

Lynch coy over whether to sign tobacco bonds

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The attorney general says he's being rushed to sign the \$174-million bond authorization to help cover the state budget.

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PROVIDENCE — Attorney General Patrick C. Lynch said yesterday he may not be ready by today's 3 p.m. deadline to sign a bond authorization needed for the state to tap tobacco money to plug holes in the state budget.

Then again, maybe he will be. At issue is the attempt to raise \$154 million for next year's budget — and another \$20 million to finance shortfalls in this year's budget — by selling a portion of future payments from the tobacco master settlement, a 1998 agreement by tobacco companies and 46 states designed to recoup the societal costs of smoking.

It's the government equivalent of a reverse mortgage, with annual tobacco payments as collateral instead of a house.



LYNCH

Both the governor and the legislature are counting on that pulse of money. Lynch, who must approve such bonding authorizations, complained that he is being rushed. The problem: the tobacco money comes with strings attached.

"It's dramatically different from other bonds that I sign," he said. "This is the first time I've had to look at a bond along those lines."

As of yesterday afternoon, he said he and his staff had not had

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enough time to examine all the strings.

If that hasn't happened by 3 p.m. today, he said, he won't sign the authorization.

Yet he also held open the possibility that he might be able to make the deadline, or that it might be extended.

Whether it can be extended very far is a major question, especially if tobacco money is needed to help cover expenses for this fiscal year, which ends Saturday.

Lynch's complaint sparked puzzlement from some legislators and the governor's office.

Lynch said he was suddenly presented with today's do-or-die deadline for approving the bond authorization by the state budget office, which didn't have an answer when he asked about the consequences of a delay.

Governor Carcieri's spokesman, Jeff Neal, said last night that Lynch has had plenty of time to consider the issues; the governor proposed tapping the tobacco money in January. "He's had six months to reach out to the

governor if he's had concerns," said Neal.

Senate Finance Committee Chairman Stephen D. Alves, D-West Warwick, made a similar point, saying he assumed that the governor and the attorney general had worked this out long ago.

Yet Lynch said no one consulted him.

"I tried to warn the legislative leaders that only one signature was needed — and it's mine," he said. "It was somewhat stunning to me that they haven't consulted me [on using the money for that purpose] or requested information on what it would do."

Alves said Lynch should have come to his committee with any concerns. "When we post a hearing, we don't go out and contact people. It's up for anyone who has concerns to come forward."

The state needs to be careful, Lynch said, because the tobacco companies, hoping to avoid paying some of that money, have begun challenging states that do not comply with the master agreement.

Lynch said he had no evidence that Rhode Island was not fulfilling its obligation under the pact, but he needs to be sure to avoid jeopardizing the funds the state needs for the coming fiscal year, and for additional money

the state is expected to receive from the settlement further down the line.

"People are looking at me and saying, 'Why haven't I signed it?' ... I don't want to jeopardize other monies coming into this state just to plug a budget hole," he said. "I'm talking about maintaining the revenue stream for far more money than is in this year's budget, so I can't hurry things."

If Lynch doesn't sign, Alves said, "we haven't fulfilled our constitutional role [in developing a balanced budget]. I don't know where we go from there. We'd have to fill that hole."

The state has sold off its rights to tobacco money before.

In 2002, when the state was expected to collect \$1.2 billion over two decades from a settlement with Philip Morris, R.J. Reynolds, Brown & Williamson and the Lorillard tobacco companies, the state sold the rights for those payments in exchange for \$544.2 million up front.

About \$250 million was used to finance three years of budget shortfalls. The rest was used to pay off some of the state's debt.

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